

NSC BRIEFING

24 June 1959

COMMUNIST CHINA

- I. Chinese Communists have been largely preoccupied in recent months with domestic matters, including the extension of the "giant leap forward" into 1959, the "tidying-up" of the communes, and the suppression of the Tibet revolt.
- II. Little reason to doubt that 1958, the first year of China's "giant leap forward," was a record year, but almost certainly not as good as Peiping claims.
 - A. GNP probably went up by some 20 percent, as against a previous high of 13 percent achieved in 1956.
 1. Grain output increased by around 20 percent (claim - 100 percent).
 2. Industrial output increased by about 40 percent (claim - 66 percent).
 3. Per capita consumption went up 6-8 percent but certainly failed to compensate the Chinese people for their greatly increased work effort.
 - B. Hectic pace of past year has pointed up important deficiencies in the economy, most notably in transport and distribution and leadership is having second thoughts about utility of some of its "leap" policies. For example--
 1. The intensive use of capital plant without adequate provision for maintenance has hastened depreciation.
 2. The small-scale industrial effort, particularly in iron and steel, now viewed as uneconomic use of resources.

3. The attempt to get significantly higher yields on intensively worked small areas has failed. Uncritical application this policy had led to reduction in cultivated acreage.
- C. In addition, both city and countryside have been plagued by shortages of foodstuffs, which most embarrassing to a leadership which still claims a record crop.
- D. While these difficulties will eventually force Peiping to slacken hectic economic pace, momentum built up in 1958 will probably carry regime through most of 1959, at least in industry.
- E. In agriculture, regime is finding it increasingly difficult to maintain needed work pace in absence sufficient material rewards for the peasants.
1. Moreover, weather so far in crop year has not been good.
 2. Rain, hail and wind storms hampered winter wheat harvest.
 3. Excessive rainfall in South China has brought severe floods to this area. Almost one-fifth of early rice acreage in Kwangtung was inundated.
 4. Flood crests were due yesterday in rich, rice-producing Pearl River delta country which Peiping says threatened with a "once-in-a-century" flood.
- F. It is, of course, too early to assess impact of these setbacks on this year's crop especially since Peiping has good reason to overplay their seriousness as a hedge against failures of certain farm policies and as likely excuse for inability reach fantastic 1959 farm goals.

III. With respect to Peiping's second major problem, that of the communes the regime since December, has been overhauling communes in attempt to win more popular support for them.

A. Organizational changes being made, but communes stand as fundamental reorganization of rural Chinese society.

1. A commune still differs from a collective farm in its greater size and variety of activities--including a basic-level governmental function--as well as by the communal services it renders.

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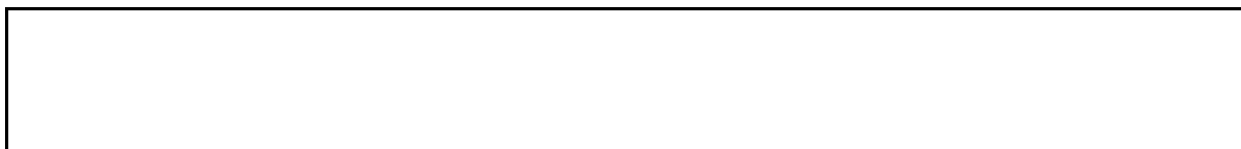


B. The shift of responsibility for various functions from the subordinate echelons to the commune center is not being made as rapidly as had been indicated.

1. For example, the early harvest this year will, by all present signs, be distributed largely by the production teams--which are in most cases the old collective farms--just as was the case with last fall's.

C. In some cases, the regime is backing away from certain of the communal services offered.

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- D. In effort extract more work out of the peasants, Peiping is:
1. gradually introducing system of tying the benefits an individual commune member receives in with the type of work he does and how he does it.
 2. encouraging the individual member to raise hogs and other small animals for their own profit.
 3. urging the individual member to cultivate unused land under the policy "he who sows shall also reap."

E. At same time Peiping is experimenting with various types of urban communes, although it is still official policy to postpone their formation in big cities on a large scale.

IV. Peiping's third major domestic problem has been with Tibet and there the security situation is back to normal.

V. Chinese took time out from these more pressing domestic matters at the National People's Congress in April to elect Liu Shao-chi as Mao Tse-tung's successor in the government.

1. Relinquishing his government job apparently has not affected Mao's status; he continues to receive much more adulation than any other Chinese leader.

VI. Peiping's external relations have largely been directed at overcoming ill will resulting from internal policies.

A. Although Moscow still concerned about impact of communes on Soviet leadership of bloc, strains in Sino-Soviet relations reduced in 1959.

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1. Peiping praising Soviet "examples" and Moscow offering token defense of communes against critics in West.
 2. Chinese giving strong public support to Soviet proposals on Berlin and demanding West agree to a "summit" even if no progress at Geneva.
 3. Chinese, nevertheless, seeking to increase their influence among nonbloc Communists, including Latin Americans, Italians, and Japanese.

B. Peiping lost considerable ground among Asians over suppression of Tibet revolt.

1. Chinese leaders spending hours at a time trying to justify suppression to diplomats from such neutral countries as Burma.
2. Sino-Indian relations have cooled; Dalai Lama is now a principal cause of tension.
3. Harsh domestic policies and food shortages have caused Peiping to lose some prestige among Overseas Chinese.

VII. Peiping's propaganda on Laotian situation in past two months was designed to prod the West into reconvening the ICC (Laos) and to head off Laotian punitive measures against local Communists.

VII. Communists continue to improve their capabilities opposite the offshore islands, but there is no evidence that they intend an attack in the immediate future.

A. Shelling is light and "liberation" theme is muted.

B. Two recent Communist shellings of the Matsus resulted from National harassment Chinese Communist fishing junks.

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